

VZCZCXRO4873
RR RUEHBZ RUEHDU RUEHJO RUEHMR RUEHRN
DE RUEHSB #0033/01 0121623

ZNR UUUUU ZZH
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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 3912
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2154
RUEHAR/AMEMBASSY ACCRA 2541
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RUEHRL/AMEMBASSY BERLIN 1156
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RUEHKM/AMEMBASSY KAMPALA 2712
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UNCLAS SECTION 01 OF 03 HARARE 000033

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR D. PETERS
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

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SUBJECT: ZIM NOTES 01-09-09

1. SUMMARY

Topics of the week:

- ZANU-PF-MDC Negotiations...
- Ministers Shuffled, Still Room in the Cabinet for MDC...
- Abductees Still in Prison...
- GOZ Decides to Fight Cholera, Too?
- Skyrocketing Media Fees Likely to Restrict Free Flow of Information...
- Uganda Praised for Zim Position...
- Public Hospitals to Charge in Foreign Exchange...
- Zimbabwe Faces Another Poor Maize Harvest...
- Government Extends Life Of The National Incomes And - Pricing Commission (NIPC)...
- Dollarization Puts School Fees Out of Reach of Most Parents...
- Tobacco Production Down By Half...

2. Price Movements-Exchange Rate and Selected products

Parallel rate for cash rose five-fold to Z\$30,000,000,000:US\$1

Check rate rose to Z\$15 quadrillion:US\$1 against inter-bank average of Z\$8,676,674:US\$1

Bread on the parallel market went up to Z\$30,000,000,000

Sugar shot up to Z\$90,000,000,000/2kg

Petrol and diesel rose to Z\$30,000,000,000/liter

On the Political/Social Front

¶3. ZANU-PF-MDC Negotiations... The MDC held a leadership meeting in South Africa this week to discuss its negotiating position. Early reports are that the MDC affirmed its National Council resolution of last month to require the resolution of outstanding issues, including equitable division of ministries, allocation of permanent secretaries, and composition and functions of the national security council, before joining government. Tsvangirai has requested that South African president Motlanthe chair a meeting between him and Mugabe to discuss these issues. An additional obstacle is the failure of the government to comply with Tsvangirai's ultimatum that all abductees be accounted for and charged or released by January 1.

¶4. Ministers Shuffled, Still Room in the Cabinet for MDC... On January 4, Mugabe announced he was dismissing a number of ministers who had lost their parliamentary seats in the March 2008 elections. On January 6, he named acting ministers to replace them that included current senators and MPs. Several ministers are now tasked with two ministries. The shuffle amounts to routine housekeeping and leaves the cabinet door open for a government of national unity or for Mugabe to form a ZANU-PF government. See Harare 19.

¶5. Abductees Still in Prison... All 18 abductees charged with terrorism for various plots continue in police custody. On January 6, a magistrate decided that Jestina Mukoko and nine others will remain in custody, pending various appeals and high court applications; they will appear again in the magistrate's court on January 14. On January 7, seven others were charged with bombing police stations. Finally, two who were ordered released on December

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30 remain in custody. In addition to the abductees, three landowners were arrested this week; although they were ordered released, they are still in custody. Notably, of the 14 MDC activists abducted from Banket around October 31, five have still not surfaced. The MDC has not yet commented on the total of 14 abductees who remain unaccounted for. See Harare 18 and 29.

¶6. GOZ Decides to Fight Cholera, Too? On January 5 the Reserve Bank and Ministry of Health hosted the launch of a "Media and Stakeholder Blitz" for cholera awareness. The event was attended by national and regional government officials, local chiefs, state media, and a handful of others due to short notice. WHO's technical input was largely ignored during the meeting, in favor of self-congratulation from government representatives. Health Minister Parirenyatwa praised the efforts of government agencies and the contributions of non-Western donors, noting "illegal sanction" and "war" as "predisposing factors" for cholera. As of January 8, WHO reported 36,671 cases and 1,822 deaths.

¶7. Skyrocketing Media Fees Likely to Restrict Free Flow of Information... On January 2, the government announced new fees that will push most local journalists out of official channels of information. Under the new regulations, local journalists working for foreign media organizations will pay a US\$1,000 application fee and a US\$3,000 accreditation fee (up from US\$100 and US\$200, respectively). Fees to operate a foreign mass media service or news agency also skyrocketed to US\$10,000 to apply and US\$30,000 to register (up from US\$2,000 and US\$10,000, respectively). Accreditation allows journalists access to Parliament and government records and to attend official functions. There are penalties - up to two years in prison - for unaccredited journalists who attend official functions or access these records for the purposes of practicing journalism. Most Zimbabwean journalists have opted out of local media houses due to poor wages.

¶8. Uganda Praised for Zim Position... On January 2, the government mouthpiece The Herald praised Uganda after its Ambassador to the UN reportedly said the Security Council should defer handling of the Zimbabwe crisis to SADC, saying Zimbabwe does not pose a threat to international peace. On January 1, Uganda began a two year rotation on the UNSC, replacing South Africa.

On the Economic and Business Front

¶19. Public Hospitals to Charge in Foreign Exchange... Starting this week, Zimbabwe's public hospitals can charge for all medical services in foreign currency. Although it is hoped that this will improve service delivery, medical care will remain out of the reach of most Zimbabweans.

¶10. Zimbabwe Faces Another Poor Maize Harvest... According to the Commercial Farmers Union, Zimbabwe is not likely to produce enough food during the 2008/09 season because of a shortage of maize seed, fertilizers, chemicals and fuel. While the country requires 50,000 tons of maize seed every year, only 23,000 tons were available to plant. Zimbabwe is expected to produce 400,000 tons of maize compared with domestic demand of 2 million tons. The GOZ and UN will conclude an official assessment in February and their conclusions should be available in early March.

¶11. Government Extends Life Of The National Incomes And Pricing Commission (NIPC)... On January 2, the Minister of Industry and International Trade extended the price monitoring of goods and services until June 30, 2009. Businesses and schools will have to apply to the NIPC for any price and fees adjustments during this period. The effectiveness of the regulations remains to be seen

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given that most prices are now quoted in foreign currency. Meanwhile, police in Bulawayo arrested more than 100 shop-owners and attendants for selling goods and services in foreign currency without Reserve Bank approval. Such action is likely to result in empty shelves as shop-owners stressed that they will not sell in Zimbabwe dollars when they bought the goods in foreign currency.

¶12. Dollarization Puts School Fees Out Of Reach Of Most Parents... The progressive dollarization and doubling of fees by most schools has put education beyond the reach of many Zimbabwean children. With demand for local currency falling sharply as dollarization widens, it is now difficult and expensive to change Zimbabwe dollars into foreign currency. In a related development, the government has delayed the start of this year's first school term by two weeks to January 27, citing the need to conclude the marking of last year's primary and secondary level public examinations. Both teachers' unions are calling for teachers to be paid in foreign currency, with the traditionally pro-ZANU union calling for salaries of US\$2,300 per month.

¶13. Tobacco Production Down By Half... According to a crop assessment by the Zimbabwe Tobacco Auction Center, tobacco production for the 2008/09 season is expected to be down more than 50 percent due to a shortage of fertilizers and coal.

Quote of the Week

¶14. "It is clear that the Mugabe regime will not collapse because of economic decay, mass starvation, or epidemics such as cholera....

Yes, ordinary people are perishing and will continue to do so, but the regime will not disintegrate." -- A coherent portion of Arthur Mutambara's largely rambling rant, "Inconvenient truths about the West and Zimbabwe." The full text is online:

<http://www.thezimbabweindependent.com/opinion/21751-the-inconvenient-truths-about-the-west-and-zimbabwe.html>

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